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Cap. 2

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
St. Louis 2, Missouri



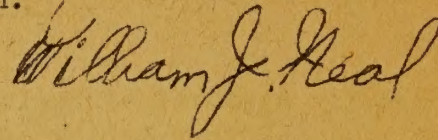
Administrative Bulletin

SUBJECT: Approval of Engineers, Managers, Attorneys and
Other Employees of Borrowers

1. The proper and efficient administration of an REA-financed borrower's system for the generation, transmission or distribution of electric energy is primarily the responsibility of the borrower. The Rural Electrification Administration, however, has the responsibility for the adequacy of the security of an REA loan and, in that respect, it must exercise responsibility concerning the competence of the engineering and other technical aspects of a borrower's administration. Accordingly the Rural Electrification Administration shall prescribe as a condition for such a loan that a borrower shall:
 - a. designate, subject to the Administrator's approval: (1) one or more engineers who shall perform the engineering services involved in the construction of the system, or the several sections thereof, and execute all certificates and other instruments pertaining to engineering details required by the Administrator; (2) a person who shall act as manager of the system; and (3) one or more associate or assistant managers if the Administrator shall so require;
 - b. furnish such opinions of counsel as the Administrator shall require, which counsel shall have been previously approved by the Administrator;
 - c. during the period the system or any part is under construction terminate the employment of any manager or other person, employed by it immediately upon receipt of notification from the Administrator that such manager or other person is not, in the opinion of the Administrator, discharging his duties in an efficient manner.
2. Except as the Administrator shall otherwise approve, all new indentures or mortgages or supplemental indentures or mortgages should contain a provision giving the Administrator the continuing right to approve the employment of any manager of a borrower, or a chief operator, engineer or other employee in active charge of any electric generating plant or electric transmission line included in the borrower's system. Such documents should also contain a provision giving the Administrator the right to terminate upon thirty days' notice the

employment of any such employee during the period prior to the date when the corporation shall be obligated to make the first payment on account of the principal of its first note and thereafter during such periods as the borrower shall be in default.

3. This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.



Acting Administrator

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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

Administrative Memorandum - Revision No. 1

SUBJECT: Identification of Applications and Allocations for REA
Loans

1. With respect to each borrower's system, applications and allocations for REA loans shall be registered in sequence according to the date the preallocation survey is started. When required to be referenced on records of financial transactions and related documents, each application and allocation shall be identified as follows:
 - a. The first application shall be identified as the "A" application, the second as the "B" application, etc. The twenty-second application would be the "Z" application, the twenty-third would be the "AA" application, the twenty-fourth would be the "AB" application.
 - b. In order to avoid confusion the letters "I," "J," "O" and "Q" shall not be used.
 - c. Allocations shall bear the same designation as the corresponding application.
 - d. Once a letter suffix is assigned to an application, this letter suffix shall remain identified with that particular application and shall not be used to identify any other application. In the event an application is cancelled, its letter suffix shall not be used for any subsequent application.
 - e. Applications may be combined for purpose of allocation, and in such instances, the allocation shall be identified by all letter suffixes assigned to the applications for which the allocation is made. For example, if applications A and B were to be included in one allocation, the allocation would be identified on the Administrative Order as Minnesota 8A and Minnesota 8B. Only one loan contract would be necessary for these two allocations.

- f. If additional funds are needed to complete allocated sections, the application for the supplemental funds shall be identified as a new application and assigned the next letter suffix.
 - g. If the full amount of an application is not allocated, the balance may be consolidated with an existing application or may be identified as a new application and assigned the next letter suffix.
2. This Memorandum cancels the Administrative Memorandum of September 5, 1945, under the subject "Identification of Allocations for REA Loans." It also supersedes all other existing instructions in conflict with the provisions of this Memorandum.

Claude R. Wickard

Administrator

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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

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Administrative Bulletin

SUBJECT: Policy with Respect to Minimum Monthly Charges and Rates Covering
Single Line Extensions

1. It shall be the policy of the REA to recommend to borrowers that they determine the monthly minimum charges and rates for various classes of consumers in accordance with the following principles.
2. Farms and residences to be connected by single line extensions which are constructed singly and not as a part of a group of extensions planned to cover a specific area should be charged the borrower's standard farm rate and established monthly minimum where the cost of connecting such consumers does not exceed the average system investment per consumer, as determined by dividing the total investment for the system by the number of all consumers connected. Where the cost of connecting such consumers exceeds the average system investment per consumer, the established monthly minimum should be increased by one percent of the cost in excess of the average investment per consumer and the number of kilowatt hours increased to reflect the higher minimum. This higher minimum should apply for a period of not less than 5 years. All farms and residences to be connected by extensions which are a part of a group of extensions planned to cover a specific area should generally be charged the borrower's standard farm rate and established monthly minimum regardless of whether the cost of connecting a consumer is less than or exceeds the average system investment per consumer. All extensions for farms and residences should be amortized over the loan period stated in the borrower's note to REA having the longest duration.
3. Commercial loads requiring up to 25 KVA transformer capacity to be connected by extensions should be charged the borrower's standard commercial rate and established monthly minimum for such loads where the cost of connecting such loads does not exceed the average system investment per consumer. Where the cost of connecting such loads exceeds the average system investment per consumer, the established monthly minimum should be increased by 1.5 percent of the cost in excess of the average system investment per consumer. In no event, however, should the minimum charge be less than that specified in the borrower's commercial schedule, based on transformer capacity. Extensions for commercial loads should be amortized over a period of 5 years, based on investment less salvage value at the end of 5 years.
4. Commercial loads requiring transformer capacity of 25 KVA or more, small motor loads totalling in excess of 25 KW, and single motors of 10 Horsepower or more, to be connected by extensions should be charged rates and monthly minimums recommended by REA on the basis of data in the large power application submitted by the borrower. Extensions for such commercial loads should be amortized over a period of 5 years, based on investment less salvage value at the end of 5 years.

5. This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

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DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Memorandum

SUBJECT: Procedure When Borrowers' Fiscal Records Are Not in Proper Condition for REA Audit

1. An auditor about to undertake an audit of a borrower's financial condition shall first make an over-all survey of the records to be audited. If these are found to be in such condition that the audit would be substantially delayed by need of bringing the records into suitable condition for auditing, the auditor shall by telephone notify the Chief of the Finance Division, describing fully the nature of the deficiency in the records.
2. The Chief of the Finance Division shall then instruct the auditor whether he shall undertake the audit, or a part of it, or shall proceed to another assignment.
3. The Chief of the Finance Division shall also promptly inform the Chief of the Management Division concerning the condition of the records, and the latter shall immediately
 - (a) Arrange with the Manager to have the records brought into proper order, with the advice and assistance of a representative of the Management Division; and
 - (b) Prepare a letter for the signature of the Administrator to the borrower's President (with a copy to be sent the Manager) advising the Directors concerning the condition of the records and that a field representative will be available at the next meeting of the Board for such advice and assistance as the latter may desire.
4. This Memorandum supersedes all other existing instructions in conflict with its provisions.

Claude R. Wickard

Administrator

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